

Message Text

UNCLASSIFIED

PAGE 01 BERN 01640 191052Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 PA-02 PRS-01 /108 W
-----191056Z 005826 /21

R 190934Z APR 77
FM AMEMBASSY BERN
TO SECSTATE WASHDC 4216
INFO AMEMBASSY BONN
USMISSION EC BRUSSELS
USMISSION GENEVA
USDEL MTN GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY ROME
AMCONSUL ZURICH

UNCLAS BERN 1640

PASS TREASURY AND FRB

EO 11652: NA
TAGS: EFIN SZ
SUBJ: SWISS FINANCIAL REPORT: WEEK APR 10-16

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC FELL
TO SF 2.51. GOLD PRICE ROSE SLIGHTLY. SHORT TERM
DEPOSIT INTEREST RATES ROSE, BUT LENDING RATES ARE
EXPECTED TO DECLINE FURTHER THIS YEAR. CREDIT SUISSE
DISCLOSED LOSSES OF SF 250 MILLION IN ITS CHIASSO
BRANCH. SOCIALIST PARTY ANNOUNCED SUPPORT OF
GOVT'S FINANCIAL PROGRAM. END SUMMARY.

2. FOREIGN EXCHANGE AND GOLD: FOREIGN EXCHANGE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 01640 191052Z

MARKET WAS NERVOUS. DOLLAR RATE AGAINST SWISS FRANC
FELL BRIEFLY TO SF 2.50 TUESDAY, LOWEST IN 13
WEEKS, PROMPTING SWISS NATIONAL BANK TO BUY
\$100 MILLION TO SUPPORT DOLLAR RATE. DOLLAR
ROSE TO SF 2.52 EARLY FRIDAY BUT CLOSED SF 2.51.
DEALERS SAID DOLLAR RATE CHANGE REFLECTED TECHNICAL
ADJUSTMENTS, NOT BASIC TREND, BECAUSE OF RECENT EURO-

MARKET DEVELOPMENTS AND TOO RAPID APPRECIATION
 AGAINST SWISS FRANC END OF FEB. INITIAL
 DOWNWARD PRESSURE ON DOLLAR REPORTEDLY CAME FROM
 STRONGER YEN AND SWEDISH DEVALUATION, FOLLOWED BY
 REPORT OF HIGHER US INFLATION RATE, BUT ANNOUNCED
 US ANTI-INFLATION PROGRAM HELPED RATE RECOVER.
 GOLD PRICE ROSE SLIGHTLY DESPITE SLIGHT DECLINE
 IN DEMAND, BECAUSE OF INDICATION US TREASURY WILL
 NOT SELL GOLD IN NEAR TERM, THOUGH US ANTI-INFLATION
 PROGRAM IS EXPECTED TO TAKE SOME PRESSURE OFF THE
 PRICE. RATES FOLLOW:

	4/12 (OPEN)	4/15 (CLOSE)
SPOT DOLLAR	2.5325	2.5195
FORWARD DISCOUNTS (PCT P A)		
ONE MONTH	2.95	3.43
2 MONTHS	2.54	3.17
3 MONTHS	2.55	2.94
6 MONTHS	2.45	2.75
12 MONTHS	2.71	2.92
SF/DM	106.20	106.39
GOLD	149.5	150.25

3. CAPITAL AND MONEY MARKETS: MARKETS WERE CALM
 FOLLOWING CONCLUSION OF SNB SHORT TERM SWAP
 ARRANGEMENTS WITH BANKS DURING FIRST WEEK OF APR.
 CALL MONEY RATE DROPPED TO ONE PERCENT. STOCK PRICES
 IMPROVED; SAK INDEX (1959 EQUALS 100) ROSE TO 288.6,
 EQUAL TO PREVIOUS 1977 HIGH. AVERAGE YEILD CONFEDRATION
 UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 01640 191052Z

BONDS SLIPPED SLIGHTLY TO 3.93. FOUR LARGEST
 BANKS RAISED TIME DEPOSIT INTEREST RATES:

PERIOD	OLD	NEW
3-5 MONTHS	1.75	2
6-11 MONTHS	2.0	2.25
12 MONTHS	2.24	2.75

LAST INCREASE WAS IN EARLY MAR. BANKERS SAID
 HIGHER SHORT TERM RATES REFLECT SEASONAL AND
 TECHNICAL FACTORS. LENDING RATES ARE EXPECTED TO
 SHOW FURTHER DECLINE THIS YEAR. CANTONAL BANKS AND
 CITIES ANNOUNCED TOTAL BORROWINGS OF SF 147 MILLION
 FOR 10-15 YEARS AT 4 PCT INTEREST.

4. CREDIT SUISSE LOSSES: CREDIT SUISSE REPORTED
 THAT AN INTERNAL AUDIT OF ITS CHIASSO BRANCH DISCLOSED
 LOSSES AMOUNTING TO SOME SF 250 MILLION FROM
 BAD INVESTMENTS OUT OF FIDUCIARY (DISCRETIONARY)

ACCOUNT OF AN UNNAMED FOREIGN HOLDING COMPANY CLIENT.
LOSSES REPORTED RESULTED FROM EMPLOYEES' BAD
JUDGMENT AND EXCEEDING AUTHORITY IN ATTEMPTS TO
COVER UP BUT NOT FROM ILLEGAL ACTIVITIES. ALTHOUGH
CREDIT SUISSE WILL COVER LOSSES OUT OF RESERVES AND
NO CLIENTS WILL SUFFER LOSS, MATTER IS SERIOUS
EMBARRASSMENT TO BANK'S NEW LEADERSHIP. CHIASSO
LOSSES REPORTEDLY WILL NOT AFFECT PLANS FOR CREDIT
SUISSE TO TAKE OVER CLOSED WEISSCREDIT BANK IN LUGANO.

5. FEDERAL FINANCIAL PLAN: SOCIALIST PARTY
ANNOUNCED SUPPORT OF GOVT'S PROPOSED FINANCIAL
PACKAGE TO BALANCE THE BUDGET, INCLUDING VALUE
ADDED TAX, THOUGH IT FALLS SHORT OF FINANCIAL
REFORM MEASURES SOCIALISTS CALLED FOR. PARTY
LEADERSHIP SAID THAT QTE ALL OR NOTHING UNQTE
APPROACH IS FUTILE AND THAT GOVT COULD NOT
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 BERN 01640 191052Z

CARRY OUT SOCIAL PROGRAMS ALREADY ADOPTED WITH
EMPTY TREASURY; THEREFORE SWISS SHOULD VOTE QTE
YES UNQTE EVEN THOUGH VALUE ADDED TAX WILL RAISE
COST OF LIVING. SOCIALISTS TOOK CREDIT FOR NEW
SOCIAL MEASURES ADOPTED AND SAID THEY WOULD LEAVE
ONUS OF OPPOSING THE GOVT'S PLAN TO THE QTE
BOURGEOIS UNQTE PARTIES. JAMES SCHWARZENBACH'S
REPUBLICAN MOVEMENT ANNOUNCED ITS OPPOSITION WHILE
SWISS BANKERS' ASSN SAID IT WOULD BACK THE PLAN. DAVIS

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL STABILITY, ECONOMIC REPORTS, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BERN01640
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770135-0756
Format: TEL
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770444/aaaablzy.tel
Line Count: 148
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: cf563aa3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2769264
Secure: OPEN
Status: NATIVE
Subject: SWISS FINANCIAL REPORT: WEEK APR 10-16
TAGS: EFIN, SZ
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/cf563aa3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009